Follow-Up Questions to June 14 and 21 Broadcasts
Housing Choice Voucher Program
Set 1

Quarterly Reporting

1. Q: For reporting on form HUD 52681B, are PHAs to count only those units under lease as of the first of the reporting month but all HAP expenses attributable to the month, including HAP costs for units with contract dates effective after the first of the month?

A: Yes. All HAP costs attributable to the month should be included. This method may result in the inclusion of HAP costs for partial unit months not counted, if a HAP is effective after the first of the month. However, since some assistance may terminate during the month, it also counts unit months for which there are only partial HAPs paid. Any distortion should be minimal in most programs.

2. Q: How does a PHA incorporate the FSS escrows into its PUC when submitting data to the Voucher Management System (VMS)?

A: FSS escrow deposits are made from the HAP account and should be included in total HAP reported for each month in the VMS.

Renewals

3. Q: Will funding be revised to provide the full AAF factor for January and later? Our PHA's latest renewal did not provide the full AAF.

A: Yes. Funding adjustments are being provided to every PHA as needed so that the per-unit-cost for every renewal month from January 2004 forward includes the full FFY 2004 AAF.

4. Q: How is the number of units under lease as of August 2003 calculated, and what if the PHA was over-leased for one or more of those months?

A: The number of units leased, as reported in August 2003, is the average of the total units reported leased for the months of May, June and July 2003, including over-leased units. If the average was more than the PHA's authorized unit total, the PHA may be funded for that number of units in the early quarters of the fiscal year, but will be funded for a reduced number later in the year, regardless of whether leasing is reduced, so that FFY 2004 funds are not used to fund more than the authorized number of unit months for the year.

5. Q: Please explain the calculation for the "funded units after cap" that are included in our most recent renewal letters.

A: The term "funded units after cap" in the description of a PHA's renewal funding increment indicates that the PHA, with that renewal, has reached the maximum number of unit months HUD is permitted to fund for the PHA fiscal year. Although HUD computed, based on PHA leasing data, that the PHA is likely assisting a greater number of households, HUD is permitted to fund no more than the total unit months authorized for the year. The “funded units after cap” is the actual number of units for which funding has been provided in the renewal process. For example, if the expiring units total 100, the computed units total 120, and the funded units after cap total 85, HUD is providing funding for 85 units in the renewal increment. PHAs should review their authorized units, leased units and funded units on a regular basis, to ensure that HUD has provided funding for all authorized units under lease.

<u>Administrative Fees and Reserves</u>

6. Q: Why were PHAs with FYE 6/30 provided a four month renewal for administrative fees for the last quarter of the FY? Renewal funding was provided for three months, April 1 through June 30, but administrative fees were provided for four months, through July 31.

A: PHAs with FYE 6/30/04 were not actually provided four months of administrative fees for the last quarter. The fee calculation was based on the three-month period of April 1 through June 30. Although the ACC funding exhibit indicates the term is four months, the funds are spread across the three month term corresponding with the HAP funding. The expiration of the fee funding increment was set for July 31 in order to ensure that that each PHA had at least one increment expiring after June 30. Without that condition, HUD’s accounting system would not generate a payment to the PHA for July 1 if the PHA did not receive renewal funding effective that date. Changing the date will allow the system to generate the first payment in the PHAs’ FY 2005 from available funds.

7. Q: This question concerns the letters received by PHAs on June 11, providing administrative fee information. Our fiscal year ends on June 30. Should this rate be used just for January through June 2004 fees, or also to project fees for the first six months of our FY 2005 activity (July 1 through December 31, 2004)?

A: The fee rates provided in the June 11 letters apply to all months of calendar year 2004, regardless of the PHA fiscal year.

8. Q: How will PHAs document their eligibility for additional administrative fees for achieving homeownership closings, since PIC will not accept the entry on homeownership portables? When will the funds for homeownership closings be disbursed to the PHAs?

A: HUD is working to correct the reporting problem for portable homeowners in PIC. PHAs that have homeowners who moved into their jurisdictions under portability will be able to report these families before HUD determines the homeownership fees.

9. Q: Are PHAs eligible for additional administrative fees, over their pro-rate share of the FY 04 appropriations, based on additional utilization? Is this funded out of central fund resources?

A: PHAs may be eligible for administrative fees on additional utilization, within their authorized total units, that exceeds their FFY 2003 leasing. These funds will be paid out of the administrative fee appropriation, not from the central fund.

10. Q: Are administrative fees on portables to be billed at 80 percent of the "new" administrative fee rate (as opposed to using 80 percent of Column B)? If so, should there be a retroactive billing or refund to the initial PHA?

A: Yes. The Receiving PHA should bill and be paid at 80 percent of the FFY 2004 per-unit amount provided for the Initial PHA, per the June 11 letters sent to all PHAs. These fee rates are effective January 1, 2004, so retroactive adjustments (billings or refunds) should be made.

11. Q: How does HUD derive the <u>per unit</u> fee from a PHA's pro-rata share of the FFY 2004 appropriated total, based on eligibility for funding from the FFY 2003 appropriations?

A: Once each PHA's pro-rate share of the FFY 2004 administrative fee appropriation was determined, that total was divided by the unit months leased in FFY 2003 to determine the per-unit-per-month fee rate.

12. Q: PHAs that were anticipated to receive less than $100,000 in FFY 2003 administrative fees were excluded from the process to determine if any FFY 2003 amounts should be offset based on administrative fee reserve balances. Are these PHAs also excluded from the administrative fee recapture process?

A: No. The Appropriations language excluded these PHAs from the offsets only. All PHAs that were paid administrative fees in excess of administrative expenses for FFY 2003, and do not require the excess amount to bring their administrative fee reserve balance to 5 percent of fees earned, are subject to the recapture provisions.

<u>Budgets and Financial Management</u>

13. Q: HUD stated that the Central Fund could be used to support leased units up to baseline, at the established per-unit cost for FFY 2004. What should a PHA do if it was 100 percent leased when funding was determined and costs have gone up beyond the level HUD is supporting?

A: Additional costs for baseline units may be covered out of any available HAP Budget Authority, any prior year program reserves, and administrative fee reserves, or other unrestricted funds available to the PHA. A PHA that is fully leased will be funded for all baseline units at the established per-unit-cost and should ensure that the actual costs reported to HUD for the base period in 2003 are accurate and complete. The PHA should also analyze its costs to determine if it may qualify for an increased inflation factor and request that accordingly. If the PHA has received all the funds for which it is eligible and still cannot cover its actual costs, the PHA may need to reduce leasing by not re-issuing vouchers that turn over during the fiscal year.

14. Q: Please explain how leasing fewer vouchers will assist in covering increased costs. I understood that the PHA would receive HAP funding only for the number of units leased, up to baseline.

A: HUD will normally obligate renewal HAP funding for the number of units leased. However, the minimum number that will be funded is the number of units reported leased in August 2003 (the May to July average). Therefore, if a PHA has reduced its leasing since that time, that PHA will still receive funding for that minimum number of units, and can use the funds to support the costs of the units which are leased, up to baseline. The total number of unit months for which HUD will provide funding during the PHA FY is still limited to the number of unit months authorized. If a PHA receives funding for additional unit months early in its FY, it will receive funding for a reduced number later in the FY.

Portability

15. Q: Our PHA has just added to our administrative plan a provision that says the PHA will deny a portability request to a client that is requesting portability to a PHA whose payment standard is over 110% of our PHA payment standard, if the Receiving PHA will not absorb the client. Is this acceptable? Can we deny portability under these terms to a client who was issued a voucher prior to this addition to our plan, but prior to entering into a HAP contract with the Receiving PHA, if they have indicated they will be billing and their payment standard is well beyond 110% of ours?

A: A PHA may in certain circumstances deny a family the right to exercise a portability move on the basis of 24 CFR 982.314(e)(1), keeping the following caveats in mind:

1. There must, in fact, be insufficient funding for continued assistance. That is to say, the PHA must be able to demonstrate, through a detailed cost reduction plan supported by reasonable assumptions, that it will actually lack the funding to cover the housing assistance payments (HAP) for the family should the family move to a higher cost area. The PHA cannot simply deny a move to a higher cost area on the basis that it will cost more money, unless there actually is insufficient funding for continued assistance to the family
2. The PHA must have contacted the Receiving PHA and the Receiving PHA must have confirmed that they will not absorb the family, but will bill the Initial PHA. In the case where there is more than one PHA with jurisdiction over the area, the PHA must contact all the PHAs and refer the family to that PHA that is able and willing to absorb the family (if there is such a PHA). If a Receiving PHA is willing to absorb the family, there are no grounds to deny the move under 982.314(e).
3. The cost of the HAP must in fact be higher in the new jurisdiction. If the family is moving to a lower cost area, the rationale for the denial of the move is called into question, since the PHA should be doing everything in tis power to reduce program costs to address its funding situation. In determining if the impact on cost is expected to be higher or lower, the PHA must not only take

into consideration the Receiving PHA payment standard amounts, but also the subsidy standards (aka occupancy standards) of the Receiving PHA. A Receiving PHA with slightly higher payment standards but more stringent subsidy standards (i.e., voucher bedroom size for which the family qualifies) than the Initial PHA may in fact turn out to be a lower cost PHA.

Concerning the second part of the question, in general the decision to deny a move under 982.314(e)(1) should be made when the family requests to move, not after the Initial PHA has already given tacit approval by forwarding the family's paperwork and the form HUD 52665 to the Receiving PHA. Under no circumstances may the Initial PHA deny a move after the Receiving PHA has approved a unit for leasing in accordance with 982.305.

16. Q: Please provide the statutory or regulatory reference that prohibits a PHA from stopping portability payments when funds are not adequate to support all HAPs.

A: The program regulations at 24 CFR 982.454 provide that the PHA may terminate the HAP contract if the PHA determines, in accordance with HUD requirements, that funding under the consolidated ACC is insufficient to support continued assistance under the program. A PHA may not terminate a contract to which it is not a party; the Initial PHA is not a party to the HAP contract between the Receiving PHA and the owner.

Section 982.355(e)(2) provides that the Initial PHA must promptly reimburse the Receiving PHA for the full amount of the housing assistance payments and administrative fees.

17. Q: Mr. Benoit referenced briefly that HUD has the authority to take vouchers from a PHA that does not pay for portability costs, with a "90 day basis" for portability transfers. Please elaborate on this statement and provide the statute or regulation that allows for this recapture from a PHA.

A: Although many PHAs are complying with existing billing procedures and reimbursement deadlines, the Department continues to receive complaints from PHAs that are not receiving portability payments in a timely manner. Billing problems may jeopardize the financial solvency of those agencies and adversely impact overall administrative performance. HUD is, therefore, prepared to take certain steps to address billing shortcomings, including but not limited to the permanent transfer of units.

The program regulations at 24 CFR 982.355(e)(2) provide that the Initial PHA must promptly reimburse the Receiving PHA for the full amount of the housing assistance payments and administrative fees. Section 982.355(e)(5) provides that the Initial PHA and the Receiving PHA must comply with billing and payment deadlines under the financial procedures. Section 982.355(e)(6) provides that a PHA must manage the PHA tenant-based program in a manner that ensures that the PHA has the financial ability to provide assistance for families that move out of the PHA program under the portability procedures and that have not been absorbed by the Receiving PHA, as well as for families that remain in the PHA program. Section 982.355(f)(1) provides that HUD may transfer funds for assistance to portable families to the Receiving PHA from funds available under the Initial PHA's ACC.

Program Reserves

18. Q: During the broadcast HUD stated that FY 2003 and 2004 program reserves are available to cover increased program costs. Does this mean that, if our per unit month cost does rise and HUD does not cover it with ACC funds, then our program reserves could cover it?

A: Program reserves generated from ANY federal fiscal year (FFY) funds may be used to cover increased per unit costs for all unit months up to the PHA's authorized total. Program reserves generated from FFY 2003 and 2004 funds may NOT be used to cover any costs of unit months in excess of the PHA's authorized total (over-leasing).

19. Q: How does a PHA access its FY 2003 program reserves to pay higher per unit HAP costs?

A: The PHA should include its actual per unit cost on a budget or budget revision (with payment schedule). For all unit months up to the authorized total, available Budget Authority and/or reserves will be approved for disbursement to cover the actual costs. Once all Budget Authority has been disbursed, HUD's payment system will automatically draw on available reserves to cover approved payments.

20. Q: Please expand on the comment that program reserves "cannot be relied on to be replenished by HUD." Are the program reserves going to be restored to the one month HAP amount or not? Please give enough details so we can plan and budget

A: There is no assurance that HUD will have sufficient funds and will restore the program reserves of any or all PHAs to the allowable one-month level. Any restorations HUD has done in the past have been based on the availability of appropriated funds, and that will continue to be the case. PHAs should not assume reserve restorations in planning their budgets, other than those already received or those PHAs have been recently notified to request. The statement advising PHAs not to rely on replenishment was made in the context of the need for PHAs to promptly request funds from the Central Fund when they need and are eligible for them. The caution was to not wait until the end of the PHA fiscal year, and assume HUD would then have funds available for them, but to request funds as early as possible once the need and eligibility are determined.

Central Fund

21. Q: When is funding from the Central Fund automatic, versus the PHA requesting amounts from the Central Fund:

A: In processing renewals, HUD will review the latest HUD 52681B reports from each PHA and will fund from the Central Fund any additional units leased beyond the numbers reported in August 2003. PHAs must request amounts from the Central Fund whenever their renewal funding covers fewer units than they have under lease for the months to which the renewal funding applies. This need arises because the HUD 52681B reports have a delayed submission, so the data available to HUD when renewals are processed does not reflect the most recent leasing. Both HUD "automatic" funding from the Central Fund and PHA requests for funding from the Central Fund require that the PHA be eligible for the Fund. Current costs for baseline units must exceed current Budget Authority, the PHA must be leasing more units than are funded, and the PHA must have a program reserve balance at or below 50 percent of the authorized level.

22. Q: How does a PHA calculate how much of its program reserve has been used since the end of its last fiscal year? Do we use the Budget Authority amount shown on our approved budget, which pre-dates the new per-unit cost methodology?

A: To calculate its actual program reserve as of the month in which it is submitting a Central Fund request, the PHA should begin with the approved program reserve balance as of its last closed fiscal year (FY). To that the PHA should add the Budget Authority (BA) applicable to each intervening month. This is not necessarily the BA estimated on the approved budget. Rather, the PHA should review all HAP funding increments that include one or more months of the period since the end of its last FY, and calculate the dollar amount from each increment that applies to the intervening months; assume in this process that the dollars are spread evenly across the term of that increment. The sum of the calculated portion of each funding increment should be added to the closed FY reserve balance. The HAP disbursements applicable to the same intervening months should then be deducted from this total, to arrive at the current program reserve balance

23. Q: How long does it take HUD to respond to a request for Central Fund monies?

A: The Appropriations Act requires HUD to respond, and provide any additional funds warranted, within 30 days of receiving a complete request for the Central Fund. You should contact your Financial Analyst if you do not receive a response in that period of time.